

## Message Text

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44

ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 CIAE-00 INR-10 NSAE-00 RSC-01

OMB-01 OPIC-12 TRSE-00 XMB-07 EA-11 EUR-25 RSR-01

(ADP) W

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R 051211Z AUG 73

FM AMEMBASSY KUWAIT

TO USDOC WASHDC

INFO SECSTATE WASHDC 7316

LIMITED OFFICIAL USE KUWAIT 2815

E.O. 11652: N/A

TAGS: EIND KU

SUBJ: KUWAIT STEEL MILL

REF: A. KUWAIT 1298; 2. KUWAIT A-10

1. "STEEL COMMITTEE FOR ESTABLISHMENT OF THE STEEL MILL"  
PUBLISHED FOLLOWING NOTICE ALL KUWAITI NEWSPAPERS AUG 1:  
"OFFERS ARE INVITED FROM FOREIGN STEEL COMPANIES FOR PARTICIPATION  
IN THE EQUITY AND TO BE RESPONSIBLE FOR THE OPERATIONS AND MAN-  
AGEMENT OF THIS STEEL PROJECT.

"THE PROJECT COMPRISES DIRECT REDUCTION, ELECTRIC STEEL MAKING,  
CONTINUOUS CASTING AND A ROLLING MILL FOR THE PRODUCTION OF BARS,  
RODS AND LIGHT SECTIONS WITH A PRODUCTION CAPACITY OF APPROXI-  
MATELY 300,000 TONS PER ANNUM. ONLY FOREIGN STEEL COMPANIES WITH  
EXTENSIVE EXPERIENCE IN THESE FIELDS WILL BE CONSIDERED.

"ENQUIRY DOCUMENTS WILL BE AVAILABLE ON 15 AUGUST 1973 FROM:

STEEL COMMITTEE FOR ESTABLISHMENT OF STEEL MILL  
P.O. BOX 4586, KUWAIT

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JOHN MILES & PARTNERS (LONDON) LTD  
WETTERN HOUSE, CROYDON, LONDON

"OFFERS SHOULD BE SUBMITTED LEATEST BY 12 NOON 15 OCTOBER 1973".

2. ENQUIRY DOCUMENTS AVAILABLE AUG 15 WILL BE 50 PAGE SUMMARY JOHN MILES FEASIBILITY STUDY AND WILL COST KD 50 (APPROX \$175), NON-REFUNDABLE. FULL FEASIBILITY STUDY WILL BE AVAILABLE FOR THOSE INTERESTED AT A COST OF KD 1,000, REFUNDABLE UPON SUBMISSION OF "A SERIOUS OFFER".

3. EMBOFF DISCUSSED PROJECT WITH ALI AL-GHANIM (SEE REFS) WHO EMPHASIZED THIS ANNOUNCEMENT NOT A TENDER. AL-GHANIM SAID THEY SEEKING FIRM TO CONCLUDE FULL MANAGEMENT CONTRACT, INCLUDING PARTICIPATION. TENDERING WILL THEN BE DONE LATER UNDER SUPERVISION OF MANAGING FIRM. HE SAID IT PREMATURE TO CALL THIS "TURN-KEY" OFFER SINCE MANAGEMENT FIRM WILL DECIDE HOW TENDERING TO PROCEED.

4. PROPOSAL FOR MANAGEMENT FIRM TAKE 20 PERCENT PARTICIPATION. REMAINDER PARTICIPATION BE DIVIDED 30 PERCENT GOK, 20 PERCENT FOUNDERS (ABOUT 15 PERSONS HEADED BY AL-GHANIM) 20 PERCENT PRIVATE GULF SHAREHOLDERS, AND 10 PERCENT PRIVATE SHAREHOLDERS. AL-GHANIM EMPHASIZED NEED FOR PARTICIPATION BY MANAGEMENT FIRM, SAYING THAT PARTICIPATION WOULD PROVIDE NEEDED INCENTIVE FOR MANAGEMENT FIRM DO BEST JOB.

5. AL-GHANIM SAID JAPANESE FIRMS NOT IN THE RUNNING BECAUSE THEIR TECHNOLOGY IN GAS FUELED STEEL MILLS NOT EQUAL TO US OR GERMANY.

6. APPARENTLY US STEEL HAS BEEN CORRESPONDING DIRECTLY WITH AL-GHANIM ON THIS SUBJECT AND REMAINS INTERESTED. DEPT MIGHT WISH QUERY US STEEL.

7. COMMENT: IT OBVIOUS MAIN HINDRANCE PARTICIPATION REQUIREMENT. AL-GHANIM'S INSISTENCE ON PARTICIPATION IS REAL, BUT HIS RATIONALE FOR INSISTING ON PARTICIPATION (INCENTIVE FOR MANAGEMENT FIRM) APPEARS RATHER SHAKY, SINCE OTHER INCENTIVES OR GUARANTEES EASILY COULD BE WRITTEN INTO MANAGEMENT CONTRACT. IF HIS MOTIVE GENUINE, HOWEVER, IT WOULD APPEAR THAT US STEEL OR OTHER INTERESTED LIMITED OFFICIAL USE  
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FIRM COULD FINESSE PARTICIPATION BY SUGGESTING SUCH GUARANTEES ANFINCENTIVES BE WRITTEN INTO CONTRACT. US STEEL MIGHT HAVE OPINION ON THIS POINT.  
MCCLELLAND

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## Message Attributes

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**Status:** NATIVE  
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